

Message Text

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ACTION SS-15

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00
INRE-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00
AID-05 CIAE-00 COME-00 EB-08 INR-10 LAB-04
NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01
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O R 030809Z APR 78
FM AMEMBASSY NAIROBI
TO SECSTATE WASHDC IMMEDIATE 6392
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY YAOUNDE
AMEMBASSY LIBREVILLE
AMEMBASSY KINSHASA
AMEMBASSY DAR ES SALAAM
AMEMBASSY LUSAKA
AMEMBASSY KHARTOUM
USMISSION USUN NEW YORK
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USOECD

USEEC

FOR UNDERSECRETARY COOPER AND ASSISTANT SECRETARIES MAYNES

(IO) AND KATZ (EB) FROM FRANK

E.O. 11652: N/A

TAGS: EGEN, KE

SUBJECT: DAS FRANK CONSULTATIONS IN KENYA ON COMMON FUND

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AND NORTH/SOUTH ISSUES

REF: KINSHASA 2920

SUMMARY:

1. DAS FRANK AND EMBASSY ECONOMIC OFFICER STUMPF MET MORNING

OF MARCH 31 WITH MR. L.O. KIBINGE, PERMANENT SECRETARY AND HARRIS MULE, DEPUTY PERMANENT SECRETARY FOR PLANNING OF MINISTRY OF FINANCE AND PLANNING. THEY DISCUSSED COMMON FUND, UN OVERVIEW COMMITTEE, AND ILLICIT PAYMENTS TRATY. IN AFTERNOON, FRANK AND STUMPF MET WITH KASSIM BAKARI MWANZANDI, ASSISTANT MINISTER FOR FOREIGN AFFAIRS. THEY DISCUSSED SAME TOPICS AND IN ADDITION THE MULTILATERAL TRADE NEGOTIATIONS. ASSISTANT FOREIGN MINISTER WAS ACCOMPANIED BY PETER NDUNG'U, UNDERSECRETARY, ECONOMICS AND TRADE DIVISION AND S.M. MAITHA, UNDERSECRETARY FOR UNITED NATIONS AND THE AMERICAS. DISCUSSION ON UN COMMITTEE OF WHOLE WILL BE REPORTED SEPTEL. END SUMMARY.

2. FRANK MADE PRESENTATION ON COMMON FUND ALONG LINES OF REFTEL AT BOTH MEETINGS. KENYAN FINANCE MINISTRY OFFICIALS RAISED SEVERAL POINTS IN RESPONSE TO FRANK PRESENTATION. THEY UNDERSTOOD THE U.S. POINT ABOUT NOT WISHING TO CREATE A NEW AID INSTITUTION, BUT WORLD BANK AND REGIONAL DEVELOPMENT BANKS DID NOT ALWAYS RESPOND VERY QUICKLY TO PROBLEMS. OFTENTAKES THREE OR FOUR YEARS TO GET PROJECT FINANCED. THE BANK DID NOT HAVE A COMMODITY FOCUS ON ITS ACTIVITIES. FOCUS ON COUNTRY PROBLEMS. SECOND WINDOW WOULD FOCUS ON COMMODITY PROBLEMS AND MIGHT RESPOND MORE QUICKLY. FRANK REPLIED THAT WORLD BANK DID HAVE AN ANALYTIC CAPABILITY IN COMMODITY FIELD LIMITED OFFICIAL USE

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AND THAT GLOBAL ANALYSIS OF COMMODITY MARKETS WAS TAKEN INTO ACCOUNT IN LOAN DECISSIONS. QUESTION IS ONE OF RELATIVE EMPHASIS -- AREA DEPARTMENTS ARE STRONG IN THE WORLD BANK BUT SECTORAL EFFORTS OF THE BANK MIGHT BE INTENSIFIED RELATIVE TO COUNTRY EFFORTS. GOVERNMENTS PARTICIPATING IN COMMON FUND NEGOTIATIONS MIGHT AGREE ON A STATEMENT CALLING FOR MORE RESPONSIVENESS OF WORLD BANK AND REGIONAL BANKS TO COMMODITY PROBLEMS REQUIRING FINANCE OF OTHER MEASURES. THE CIEC COMMUNIQUE CAUSED THE BANK TO GIVE HIGH PRIORITY TO EXPANSION OF ACTIVITIES IN ENERGY FIELD AND RESULTED IN A TRIPLING OF STAFF WORKING ON ENERGY PROJECTS. FRANK THOUGHT THIS WOULD BE A FAR MORE EFFECTIVE WAY OF DEALING WITH PROBLEMS THAN CREATING A WHOLE NEW BUREAUCRACY TO MANAGE THE SECOND WINDOW OF A COMMON FUND.

3. KENYAN FINANCE OFFICIALS SAID THAT THERE NEEDS TO BE SOME FOCAL POINT FOR ASSESSING AND COORDINATING ALL OF THE ACTIVITIES OF THE WARIOUS INTERNATIONAL ORGANIZATIONS IN THE FIELD OF OTHER MEASURES. COMBINED EFFORTS OF WORLD BANK REGIONAL DEVELOPMENT BANKS, IFAD, FAO, AND UNDP MIGHT RESULT IN OVERSUPPLY OF CERTAIN COMMODITIES OR THEY

MAY NOT BE DOING ENOUGH SO THAT THERE MIGHT BE SHORT SUPPLIES. THEY SAW COMMON FUND AS COORDINATING THEIR ACTIVITIES SINCE THEY ARE CLOSELY RELATED TO NEED FOR BUFFER STOCKS. FRANK SAID THAT COORDINATION COULD BE ACHIEVED IN SEVERAL WAYS -- THROUGH CONSULTATIONS WITHIN INDIVIDUAL COMMODITY ORGANIZATIONS OR TO EXTENT COMMODITIES PROBLEM ARE INTERDEPENDENT, FROM TIME TO TIME GOVERNMENTS MIGHT MEET TO SURVEY AND DISCUSS THE WHOLE RANGE OF OTHER MEASURES AND RECOMMEND ACTION WHEN NECESSARY. THIS COULD BE DONE UNDER AUSPICES OF WORLD BANK, UNCTAD, OR THE COMMON FUND ORGANIZATION WHEN IT GOT STARTED. IT WAS NOT NECESSARY TO HAVE A SECOND WINDOW OF THE COMMON FUND IN ORDER FOR THE COORDINATION FUNCTION TO BE PERFORMED.

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4. KIBINGE SAID THAT WHEN HE ATTENDED UNCTAD IV IN NAIROBI HE FELT THAT U.S. HAD A PHILOSOPHICAL ABHORRENCE TO COMMODITY STABILIZATION BECAUSE IT INVOLVED INTERFERENCE IN PRIVATE MARKETS. HE WONDERED WHETHER THIS ATTITUDE HAS CHANGED WITH THE NEW ADMINISTRATION. FRANK SAID HE THOUGHT THE ATTITUDE HAD CHANGED AND THAT U.S. WAS TAKING A MORE PROGMATIC APPROACH TO INDIVIDUAL COMMODITY NEGOTIATIONS AND HAD A POSITIVE ATTITUDE TOWARD ESTABLISHING A COMMON FUND.

5. KENYAN FINANCE OFFICIALS SAID THAT THEIR TECHNICAL EXPERT ON THE COMMON FUND, DR. KAGUNDA OF OFFICE OF CHEIF ECONOMIST, WAS OUT OF TOWN. WHEN HE RETURNED, THEY WOULD GO OVER THE POINTS FRANK HAD MADE WITH ASSISTANCE OF EMBASSY ECONOMIC OFFICER. AFTER THIS THEY WOULD BE ABLE TO GIVE US A MORE OFFICIAL REACTION TO OUR POINTS.

6. AT FOREIGN MINISTRY, MUCH OF THE DISCUSSION CENTERED ON VOTING AND CONTROL ISSUE. FRANK SAID THAT WE HAD NO FIRM POSITION ON THE DETAILS OF VOTING FOR THE COMMON FUND. HE MADE POINT THAT DEVELOPED COUNTRIES WOULD WISH TO MAXIMIZE CONTROL OVER FUNDS THAT THEY CONTRIBUTED. THE MORE CONTROL THE LARGE DONORS HAD, THE EASIER IT WOULD BE TO GET DONOR CONTRIBUTIONS AND THE MORE CREDIBILITY WOULD BE GIVEN THE FUND IN PRIVATE CAPITAL MARKETS. FOREIGN MINISTRY SAID AFRICANS WOULD HAVE CONSIDERABLE DIFFICULTIES WITH WEIGHTED VOTING.

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O R 030809Z APR 78
FM AMEMBASSY NAIROBI
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FOR UNDERSECRETARY COOPER AND ASSISTANT SECRETARIES MAYNES

(IO) AND KATZ (EB) FROM FRANK

7. MWANZANDI SAID THAT COMMON FUND ISSUE MAY BE TAKEN
UP AT OAU SUMMIT SCHEDULED FOR LATE JUNE - EARLY JULY
IN KHARTOUM. KENYANS WILL CONSULT WITH OTHER AFRICAN
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STATES BETWEEN NOW AND OAU MEETING AND THEN A FIRM POSITION
COULD BE DECIDED AT THE SUMMIT. OAU MEETING WILL BE
FOLLOWED BY NON-ALIGNED MEETING IN HAVANA.

8. THEY SAID THAT THEY MIGHT BE ABLE TO GO ALONG WITH

OUR IDEAS FOR FIRST AND SECOND WINDOW PROVIDED THERE COULD BE SOME KIND OF POLITICAL COMMITMENT TO DO MORE IN THE FIELD OF OTHER MEASURES. THEY SAID THAT VOTING ISSUE, HOWEVER, WILL BE DIFFICULT AND SENSITIVE. FRANK SAID THAT VOTING ALSO CRITICAL TO US AND THAT THREE ISSUES -- FIRST WINDOW, OTHER MEASURES, AND VOTING -- WOULD HAVE TO BE PART OF A PACKAGE. NOTHING WE OFFER ON FIRST TWO ISSUES WOULD REMAIN ON TABLE IF VOTING ISSUE COULD NOT BE RESOLVED.

9. ON ILLICIT PAYMENTS KENYANS SAID SOME AFRICAN STATES DON'T WANT AN AGREEMENT. SOUTHERN AFRICAN ISSUE HIGHLY SENSITIVE AND IT WILL BE DIFFICULT TO KEEP ISSUE OUT OF TREATY. THEY MAY WANT TO DISCUSS THIS ISSUE AT OAU SUMMIT.

10. COMMENT: THE KEY TARGET FOR A SUCCESSFUL CONCLUSION TO THE NEXT COMMON FUND NEGOTIATING CONFERENCE IS THE OAU SUMMIT. AFRICAN POSITION DECIDED THERE WILL PROBABLY DOMINATE POSITION OF THE NON-ALIGNED AND THE G77. OUR GOAL FOR THE SUMMIT SHOULD BE TO GET THE AFRICAN STATES TO ADOPT A POLICY THAT IS SUPPORTIVE OF SOME OF OUR VIEWS ON THE FIRST WINDOW AND OTHER MEASURES -- OR AT LEAST KEEPS OPEN THE POSSIBILITY OF MOVEMENT TOWARD OUR VIEWS. ALSO WE WISH TO AVOID THEIR LOCKING-IN THEMSELVES ON THE VOTING ISSUE. BETWEEN NOW AND THE SUMMIT, WE MIGHT PURSUE THE FOLLOWING STRATEGY:
--HOLD BILATERALS ON COMMON FUND IN MEXICO CITY IN CONJUNCTION WITH DEVELOPMENT COMMITTEE MEETING APRIL 27-28. PREFERABLY THESE BILATERALS COULD TAKE PLACE EARLY IN THE SESSION, LIMITED OFFICIAL USE

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BEFORE THE GROUP OF 24 DISCUSSES THE ISSUE. THESE BILATERALS MIGHT FOCUS ON THOSE AFRICAN COUNTRIES I WAS NOT ABLE TO VISIT, SPECIFICALLY NIGERIA, IVORY COAST AND GHANA. MAXIMUM EFFORT WOULD BE MADE TO GET FINANCE MINISTERS INVOLVED IN PROCESS OF DECISION-MAKING BEFORE THE OAU SUMMIT WHICH WILL TEND TO BE MORE POLITICAL.

--I WILL BE GIVING A SPEECH IN BONN ON APRIL 11. I MIGHT SWING UP TO BRUSSELS TO SEE MULIRA OF KENYA AND OVER TO GENEVA TO SPEAK TO SOME AFRICAN PERMREPS THERE THAT ARE INVOLVED IN COMMON FUND DISCUSSIONS.
--HOLD BILATERALS IN NEW YORK WITH KEY AFRICAN COUNTRIES IN CONNECTION WITH UN OVERVIEW MEETING IN EARLY MAY.
--ESTABLISH A PRESENCE IN KHARTOUM AT THE TIME OF THE OAU SUMMIT AND HOLD BILATERALS ON THE COMMON FUND ISSUE. WE MIGHT ALSO HIT THE ILLICIT PAYMENTS ISSUE IN MEXICO CITY, NEW YORK, AND KHARTOUM. END COMMENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUND ALLOTMENT, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NAIROB05010
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780143-0510
Format: TEL
From: NAIROBI USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780499/aaaadgmx.tel
Line Count: 276
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e7e680b7-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 KINSHASA 2920
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3093281
Secure: OPEN
Status: NATIVE
Subject: DAS FRANK CONSULTATIONS IN KENYA ON COMMON FUND LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: EGEN, KE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e7e680b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014